

ATTESTATION ENGAGEMENT

Clerk of the Court of Common
Pleas/Prothonotary and Adult
Probation Department
McKean County, Pennsylvania
For the Period
January 1, 2008 to December 31, 2013

January 2015



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Eileen H. McNulty
Acting Secretary
Pennsylvania Department of
Revenue Harrisburg, PA 17128

We have examined the accompanying statements of receipts and disbursements (Statements) of the Clerk of the Court of Common Pleas/Prothonotary and Adult Probation Department, McKean County, Pennsylvania (County Officer), for the period January 1, 2008 to December 31, 2013, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S § 401(b) and § 401(d). The County Office's management is responsible for these Statements. Our responsibility is to express an opinion on these Statements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Sections 401(b) and 401(d) of *The Fiscal Code* to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Sections 401(b) and 401(d) of *The Fiscal Code*.

In our opinion, the Statements referred to above present, in all material respects, the operations of the County Officer as it pertains to receipts made on behalf of the Commonwealth for the period January 1, 2008 to December 31, 2013, in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Statements; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Statements. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Statements or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control over reporting on the Statements was for the limited purpose of expressing an opinion on whether the Statements are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control over reporting on the Statements that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies listed below to be material weaknesses.

- Inadequate Internal Controls Over Manual Receipts - Adult Probation Department - Recurring.

- Inadequate Segregation Of Duties - Prothonotary.

As part of obtaining reasonable assurance about whether the Statements are free from material misstatement, we performed tests of the County Office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report (Continued)

We are concerned in light of the Adult Probation Department's failure to correct a previously reported finding regarding inadequate internal controls over manual receipts. During our current examination, we also noted that the Prothonotary's Office did not maintain an adequate segregation of duties within the office. The offices should strive to implement the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Revenue, the Administrative Office of Pennsylvania Courts, and the County Officer and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended by the Clerk of the Court of Common Pleas/Prothonotary and Adult Probation Department, McKean County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

September 4, 2014

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CLERK OF THE COURT OF COMMON PLEAS AND
ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

Receipts:

Department of Transportation		
Title 75 Fines	\$	255,666
Department of Revenue Court Costs		64,683
Crime Victims' Compensation Costs		118,446
Crime Commission Costs/Victim Witness Services Costs		77,555
Domestic Violence Costs		14,332
Emergency Medical Services Fines		27,497
DUI - ARD/EMS Fees		11,964
CAT/MCARE Fund Surcharges		130,535
Judicial Computer System/Access to Justice Fees		44,222
Offender Supervision Fees		304,499
Constable Service Surcharges		69
Criminal Laboratory Users' Fees		52,709
Probation and Parole Officers' Firearm Education Costs		11,922
Substance Abuse Education Costs		89,450
Office of Victims' Services Costs		20,760
Miscellaneous State Fines and Costs		<u>347,152</u>
Total receipts (Note 2)		1,571,461
Disbursements to Commonwealth (Note 4)		<u>(1,571,461)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		-
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2013	\$	<u><u>-</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

PROTHONOTARY
MCKEAN COUNTY
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

Receipts:

Writ Taxes	\$	2,452
Divorce Complaint Surcharges		9,420
Judicial Computer System/Access To Justice Fees		113,841
Criminal Charge Information System Fees		<u>12,756</u>
Total Receipts (Note 2)		138,469
Commissions (Note 3)		<u>(73)</u>
Net Receipts		138,396
Disbursements to Commonwealth (Note 4)		<u>(138,397)</u>
Balance due Commonwealth (County) per settled reports (Note 5)		(1)
Examination adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2008 to December 31, 2013	\$	<u><u>(1)</u></u>

Notes to the Statements of Receipts and Disbursements are an integral part of this report.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
AND ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

1. Criteria

The Statements of Receipts and Disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of fines, costs, fees, taxes, and surcharges assessed are based on Pennsylvania laws and regulations.

The Statements were prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

2. Receipts

Clerk Of The Court Of Common Pleas/Adult Probation Department

Receipts are comprised of fines, costs, fees, and surcharges collected on behalf of the Commonwealth. These fines, costs, fees, and surcharges represent collections made on summary and criminal cases filed with the Clerk of the Court of Common Pleas' Office.

Prothonotary

Receipts are comprised of taxes, surcharges, fees, and fines collected on behalf of the Department of Revenue and the Administrative Office of Pennsylvania Courts.

These include monies collected for the following taxes, surcharges, fees, and fines:

- Writ Taxes represent a \$.50 or \$.25 tax imposed on taxable instruments filed with the Prothonotary.
- Divorce Complaint Surcharges represent a \$10 surcharge imposed on all divorce decrees.
- Judicial Computer System/Access To Justice Fees represent a \$10 fee imposed for the filing of any legal paper to initiate a civil action or proceeding. These fees were increased to \$23.50 for the period December 8, 2009 to December 31, 2014.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
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MCKEAN COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
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2. Receipts (Continued)

Prothonotary (Continued)

- Criminal Charge Information System Fees represent a fee imposed on all custody cases. Of the fee imposed, 80% is payable to the Administrative Office of Pennsylvania Courts (AOPC) and 20% is payable to the County in which the action took place. The fee was \$7.00 for the period January 1, 2008 to December 31, 2010, and \$7.50 for the period January 1, 2011 to December 31, 2013. The statement of receipts and disbursements only reflects the portion collected on behalf of the AOPC.

3. Commissions

Acting in the capacity of an agent for the Commonwealth, the Prothonotary is authorized to collect a commission of 3 percent on the Commonwealth portion of writ taxes. Accordingly, commissions owed the county are not included in the balance due the Commonwealth.

4. Disbursements

Clerk Of The Court Of Common Pleas/Adult Probation Department

Total disbursements are comprised as follows:

Clerk of the Court checks issued to:

Department of Revenue	\$ 1,567,797
Office of Attorney General	1,188
State Police	992
Commission on Crime and Delinquency	1,140
Wine and Spirits	344
	344
 Total	 \$ 1,571,461

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
AND ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
NOTES TO THE STATEMENTS OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

4. Disbursements (Continued)

Prothonotary

Total disbursements are comprised as follows:

Prothonotary checks issued to:

Department of Revenue	\$ 125,641
Administrative Office of Pennsylvania Courts	<u>12,756</u>
Total	<u><u>\$ 138,397</u></u>

5. Balance Due Commonwealth (County) For The Period January 1, 2008 To December 31, 2013

Clerk Of The Court Of Common Pleas/Adult Probation Department

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of any receipts disbursed directly to other state agencies.

Prothonotary

This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue. The balance also reflects a summary of receipts that were disbursed directly to the Administrative Office of Pennsylvania Courts.

6. County Officers Serving During Examination Period

Bonnie Moore-Howard served as the Clerk of the Court of Common Pleas/Prothonotary for the period January 1, 2008 to December 31, 2013.

Gary H. Seefeldt served as Chief Adult Probation Officer for the period January 1, 2008 to December 31, 2013.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
AND ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

**Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Adult Probation
Department - Recurring**

We reported the issue of inadequate internal controls over manual receipts in the prior examination report for the period January 1, 2004 to December 31, 2007. However, the office did not correct this issue.

During the course of our examination, we noted that the Adult Probation Department issued manual receipts for all collections. Manual receipts were recorded on pre-printed, non-sequential, duplicate receipt books and at the end of the day the amounts are reconciled to cash on hand and then deposited in the bank. When the staff has time, the day's manual receipts are then entered into the computer system, where official receipts are prepared and a computer deposit listing is printed.

Our examination disclosed the following deficiencies in the internal controls over manual receipts. Of 24 receipts tested, we noted the following:

- A manual receipt log was not maintained.
- Manual receipts were not issued sequentially.

Good internal accounting controls ensure that:

- A manual receipts log is maintained to document information that is recorded on the manual receipt, including date issued, date filed, case number, signature of the person receiving the payment, remitter name, payment source, and payment method. This will provide an audit trail on the issuance of the manual receipt.
- Manual receipts are issued in numerical sequence.
- Only official Common Pleas Case Management System (CPCMS) manual receipts and log, that are available through the computer system, are used.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
AND ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
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Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Adult Probation Department - Recurring (Continued)

These conditions existed because the office ignored our prior recommendation and failed to establish and implement an adequate system of internal controls over manual receipts.

Without a good system of internal controls over funds received by the office, the possibility of funds being lost or misappropriated increases significantly.

Adherence to good internal accounting controls would have ensured adequate internal controls over receipts.

Recommendation

We strongly recommend that the office establish and implement an adequate system of internal controls over manual receipts as noted above.

Management's Response

The Adult Probation Office responded as follows:

1. No Manual Receipt Log through CPCMS

Manual receipt books are purchased from our office supply vendor. The receipt books have numbers assigned by the manufacture of the receipt book. All office staff has the ability to receipt payments. Payments are taken at our main offices, satellite offices, and by our officers when they are out in the field (This includes both Adult and Juvenile Probation – Juvenile Probation is responsible for their own payment processing – they do use the same process we have in place). Adult Probation does not have a separate collections department and due to the numerous responsibilities of the Adult Probation Office we do not receipt payments in CPCMS when they are made, manual receipts are given. The payments are receipted when the daily deposit log is posted in the CPCMS system. This procedure has been in place for several years and as Office Manager I was trained to process receipts in the matter listed above. I was unaware that there were manual receipts available through CPCMS until notified by the auditor. We are currently reviewing our process to determine a way to process our manual receipts through CPCMS.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
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MCKEAN COUNTY
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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**Finding No. 1 - Inadequate Internal Controls Over Manual Receipts - Adult Probation
Department - Recurring (Continued)**

Management's Response (continued)

2. Receipts not in sequential order.

Manual receipt books are purchased from our office supply vendor. The receipt books have numbers assigned by the manufacture of the receipt book. Receipts are in sequential order in each individual book used; however each book starts out with its own set of receipt numbers.

As stated above, I was unaware that manual receipts were available through CPCMS. We are currently reviewing this process to determine a way to process our manual receipts using CPCMS.

Auditor's Conclusion

We are encouraged that the Adult Probation Department will review its process regarding manual receipts. It is imperative that the office establish and implement an adequate system of internal controls to ensure that collections are adequately safeguarded. During our next examination we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
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Finding No. 2 - Inadequate Segregation Of Duties - Prothonotary

Our examination disclosed that one employee in the Prothonotary office was responsible for performing the following functions:

- Opening mail.
- Collecting cash, entering collection information into the computer system, and issuing receipts.
- Preparing deposit slips.
- Making the deposit.
- Posting disbursements to the disbursement journal.
- Reconciling the bank account.
- Reconciling collections to accounting records and/or receipts.
- Approving disbursements
- Preparing checks.
- Summarizing accounting records.

A good system of internal controls requires adequate segregation of duties.

In order to achieve adequate segregation of duties, one employee should not have custody of cash and at the same time maintain the accounting records for the cash. These duties should be segregated and rotated daily. As an alternative control, someone independent from maintaining the accounting records and handling cash should review the employee's work daily. The reviewer should sign and date the records and documents reviewed.

Without adequate segregation of duties, the possibility of funds being lost or misappropriated increases significantly.

This condition existed because the office failed to establish and implement an adequate segregation of duties.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
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MCKEAN COUNTY
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Inadequate Segregation Of Duties - Prothonotary (Continued)

Recommendation

We recommend that the office provide for greater segregation of duties within the office. This can be done by cross-training personnel and rotating job functions that include the handling of cash and maintaining the accounting records for the cash. As an alternative and/or additional control, someone independent from the handling of cash and the accounting records should review the employee's work at the end of each day. The reviewer should sign and date the records and documents reviewed.

Management's Response

No formal response was offered at this time.

Auditor's Conclusion

During our next examination we will determine if the office complied with our recommendation.

CLERK OF THE COURT OF COMMON PLEAS/PROTHONOTARY
AND ADULT PROBATION DEPARTMENT
MCKEAN COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Eileen H. McNulty
Acting Secretary
Pennsylvania Department of Revenue

The Honorable Zygmunt Pines
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

Mr. Thomas J. Dougherty
Director
Division of Grants and Standards
Pennsylvania Board of Probation and Parole

The Honorable Laura Isadore	Clerk of the Court of Common Pleas/Prothonotary
The Honorable Thomas Ball	Controller
The Honorable Joseph C. DeMott, Jr.	Chairman of the Board of Commissioners
Mr. Gary H. Seefeldt	Chief Adult Probation Officer

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.